

Before the
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In the matter of:

Notice of proposed rulemaking,)
Federal-State Joint Board on Universal Service) CC Docket No. 96-45; FCC 96-93

COMMENTS OF THE
NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

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I. INTRODUCTION

The National Association of Development Organizations (NADO) respectfully submits comments on the notice of proposed rulemaking regarding universal service support mechanisms.

The National Association of Development Organizations is a public interest group founded in 1967 to promote community and economic development in America's small metropolitan and rural areas. The association is a leading advocate for a regional approach to community and economic development. NADO's goal is to assure all rural citizens have employment opportunities and a quality of life comparable to other Americans.

NADO's members are regional development organizations whose staff provide professional assistance to local governments, businesses and nonprofit organizations. Regional development organizations help identify local needs and priorities, and are catalysts for strategic planning in rural communities. The functions of regional organizations vary depending on the needs of local citizens and may include: small business financing, infrastructure and housing development, job training, environmental protection, and services for the poor and elderly. Each region is

governed by a policy board of elected officials, business leaders and citizen representatives.

For more than a year the NADO Research Foundation, the research and training arm of the association, has supported a "Telecommunications Awareness Project," which seeks to increase knowledge of telecommunications issues in rural America. The Telecommunications Awareness Project is working to enhance the flow of information regarding telecommunications policy, technology and successful practices, so that telecommunications can be used as a tool -- rather than a stumbling block -- for economic development in America's small cities and rural areas.

NADO and the NADO Research Foundation are committed to assuring that rural America is afforded equal opportunity to create jobs and improve the quality of life through the use of information technologies. We are hopeful that rulings and regulations related to the Telecommunications Act of 1996 will respect the special needs and conditions of rural areas, and help to assure that America does not become a society of information "haves" and "have nots".

II. COMMENTS ON NOTICE OF PROPOSED RULEMAKING

A June 1995 study by the Department of Commerce National Telecommunications and Information Administration calls the rural poor "America's most information disadvantaged group." Regulatory issues will play a critical role in determining whether or not they remain so in the future as technology continues to rapidly advance. Unless regulations allow advanced technologies to be both physically accessible and affordable in rural areas, the urban/rural information divide will increase. The special needs of rural America must be recognized so that rural communities can grow and prosper in the information age.

A. Section 254(c)(1) of the Telecommunications Act of 1996 calls Universal Service an "evolving level of telecommunications services." We wholly support the need for the core package of universal services to be regularly reconsidered [Notice of Proposed Rulemaking, paragraph 67] if it is to "evolve." Such regular reconsiderations of the package of services have been called for in the California state universal service proceedings.

The California Public Utilities Commission proceedings suggested that the universal service definition should be revisited at regular intervals, such as every three to five years. As the great numbers of individuals and businesses that have begun

using the Internet over the last several years suggest, rapid changes in technologies and services can result in equally rapid changes in the "norms" of business and personal communications. Given the pace of these changes, we feel that five years should be the absolute maximum time between thorough reconsiderations of the universal service definition.

We also believe that "additional information collection efforts" [Proposed Rulemaking, paragraph 67] are necessary to determine which services and technologies should be at the top of the list of national priorities. The market, as will be addressed in point (B) below, is an insufficient mechanism for determining the services to be supported by universal service mechanisms.

B. Technological changes in telecommunications markets are occurring with unprecedented speed. These changes make available to customers new and improved services. NADO believes that without support mechanisms these services will be considerably more costly in rural areas, due to the great costs faced by providers in creating the physical infrastructure to offer advanced services to sparse populations spread over vast geographic distances. If advanced services are appreciably more costly for rural consumers than urban consumers, then assessing whether or not they should be added to the list of core universal services on the basis of whether they "have been subscribed to by a substantial majority of residential customers" is unfair. Using the above measuring stick to determine core services for universal service

support may prevent rural and high-cost areas from **ever** receiving advanced telecommunications services, because, without support mechanisms, they would be too costly for “a substantial majority of residential customers” in rural areas to subscribe. If high-cost rural areas cannot afford to link into the telecommunications and information services from which their urban counterparts are benefiting, they are destined to remain information “have-nots.”

To date, universal service policies have succeeded in improving national telephone penetration rates to near 97 percent, because these policies **preceded** the broad-scale deployment of infrastructure. Under the Communications Act of 1934 it became a national priority to “make available, as far as possible, to all the people of the United States a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges...” As access to information and technology increasingly becomes a key to economic development, NADO hopes that deploying **advanced** communications technologies to rural areas also becomes a priority -- lest we face an enormous urban/rural economic divide.

In determining the list of core services, the FCC should take into consideration urban/rural cost differentials. A service should be considered for the list of core services if it is widely subscribed to in urban areas, even if it has low penetration rates in rural areas.

C. Internet access is among the technological-access issues of particular interest to NADO members. Many rural customers, in order to access the ever-expanding warehouses of information available on the Internet, must pay charges not only to Internet providers, but also must pay long-distance charges to link into those providers. This makes Internet access much more economically burdensome for many rural users. These excessive costs are in contrast to the spirit of Universal Service policies.

More and more crucial information is becoming available primarily or exclusively through the Internet. Increasingly, governmental information is provided efficiently and effectively through the Internet. Rural Americans must be assured affordable access to this information.

Though toll-free access to Internet providers may not fall under the current jurisdiction of the FCC, we feel that if the competitive environment does not soon address toll-free access to Internet providers for rural communities, regulators must address this urban/rural disparity in costs of and access to Internet service.

D. In regard to implementation of Universal Service, support for rural areas should not be limited to "residential users or residential and single-line business users" [Notice of Proposed Rulemaking, paragraph 24]. In rural communities, the economic well-being of residents, businesses, and other community institutions are inextricably

linked. Rural communities cannot offer jobs or quality of life to their residents if high-cost communications services prevent their businesses from remaining healthy and vital. Small business, critical to the economic well-being of rural communities will be negatively impacted if they cannot access or afford advanced communications services. And without necessary communications infrastructure, rural communities cannot attract new businesses and industries.

Also, as telecommuting and home-based businesses become increasingly appealing options for many rural residents, the line between "residential" and "business" customers blurs.

E. In defining "affordable" service in rural areas [Notice of Proposed Rulemaking, paragraph 26], we believe affordability should be based on end-user prices. We believe regulating end-user prices is the only way to make service costs equitable and provide **all** Americans with economic development opportunities through the use of communications and information technologies. As businesses, community organizations, local governments, and citizens all work together to ensure the economic health of rural regions, FCC policies should allow each of these groups to access affordable communications technologies and services, and to use these services and technologies as tools for economic development.